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ABSTRACT

The New Economy Work (NEW) Scholarship is a proposed scholarship designed to reform federal training programs and to make them universally accessible to dislocated or disadvantaged workers. NEW Scholarships would accomplish the following things: (1) make access to training for dislocated workers as universally available as access to college; (2) provide dislocated workers with scholarships worth up to $4,000; (3) reduce red tape by allowing workers seeking retraining to apply for aid directly from certified training providers rather than government agencies; and require national standards for all certified training providers and an annual report card to help workers identify the best lifelong learning programs. According to the proposal calling for establishment of NEW Scholarships, Department of Labor one-stop centers would continue to serve as centers of information; however, the management of those sites would be contracted out to unions, associations, and for-profit and nonprofit organizations. It estimated that Congress and the administration could fund NEW Scholarships by redirecting $1.5 billion already allocated for the Dislocated Worker Employment Training Program and the Trade Adjustment Assistance and North American Free Trade Transitional Adjustment Assistance Programs. Assuming that 25% of dislocated workers utilize NEW Scholarships at an average of $1,500 per individual, the program's cost would fit easily within existing budgetary resources. (MN)

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PROGRESSIVE POLICY INSTITUTE

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New Economy Work (NEW) Scholarships

Universal Access to Training for Dislocated Workers

Paul Weinstein Jr.

The emergence of the New Economy in the 1990s has accelerated greater opportunity, increased levels of employment, and higher levels of income. Yet this prosperity has not come without a price. In the 1990s, despite the tightest labor markets in a generation, more workers reported at the end of the decade that they were fearful of losing their jobs than at the end of the recession in 1991.[1] Is this reaction surprising? Not really. According to PPI's "New Economy Index," almost a third of all jobs are now in flux—either being born or dying, added or subtracted—every year. Furthermore, between 1994 and 1995, 695,000 businesses were launched and 587,000 folded. By comparison, in 1975 there were only 337,000 business births and deaths combined.[2]

Economic change has always created losers as well as winners. What's different today is that information technology (IT), "high performance" work organizations, and globalization are rewriting the rules of economic competition. In the process, they are dissolving the social bargains that historically have buffered average working families against the cruelties and instability of industrial capitalism.[3]

The requisites of economic security have changed dramatically over the last two decades. In the pre-New Economy era, employers offered lifelong job security in return for loyalty and hard work. This system worked well in the post-industrial era of big corporations who provided for workers income, health, and pension security. But if security once meant stable jobs and unchanging careers, it now means lifelong learning to ensure that workers can continually acquire skills that command good wages. Instead of depending on big institutions, today's workers need to be more self-reliant, more flexible, and more mobile. In the New Economy, education and lifelong learning are the key to employment security.

The data does in fact support the idea that education plays a major role in individual income wealth. According to the National Center for Education Statistics, adults with higher levels of education were more likely to participate in the labor force (including those who were employed and those actively seeking employment) than those with less education. About 80 percent of adults over 25 years old with a bachelor's degree or higher participated in the labor force in 2000, compared with 65 percent of high school graduates. Only 43 percent of those 25 and older who were not high school graduates were in the labor force. Furthermore, persons with lower levels of education were more likely to be unemployed than those who had higher levels of education. The unemployment rate in the year 2000 for adults (25 years old and over) who had not completed high school was 6.4 percent, compared with 3.5 percent for those with four years of high school and 1.7 percent for those with a bachelor's degree or higher.[4]

However, although there is a strong correlation between education and job security—and while more Americans are attending college and graduate school than ever before—individuals who lose their jobs are not taking advantage of the financial resources available to get training for new employment.

According to the Upjohn Institute, only 2.4 percent of dislocated workers referred to the U.S. Employment Service received training in 1998.[5] The quarterly reports filed under the Workforce Investment Act (WIA) indicate that only 24 percent of all available training funds were expended in 2001.

Why are dislocated workers not taking advantage of the federal and state training dol-

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lars available through WIA? Some reasons are obvious. Many dislocated workers get jobs within weeks of being laid off. Others are not interested in taking additional coursework. Some are unaware that training subsidies are available. Finally, many dislocated workers are deterred from seeking out training grants from government agencies because the process is time-consuming, bureaucratic, and carries a negative stigma.

To ensure that more people take advantage of the existing training funds available, an overhaul of our current bureaucratic system of training grants is needed, to replace it with a system that is simple to access and easy to understand.

Over the last eight years, the federal government has worked to provide universal access to college. The same can be done for training by supplanting the existing system with one based on a scholarship system, similar to the network of scholarships that support students at colleges and universities—a lifelong learning system that embraces change and is available to anyone who needs new skills to get and stay ahead in the New Economy.

This paper outlines a proposal to dramatically reform and make universally accessible federal training programs to dislocated workers by creating New Economy Work (NEW) Scholarships. NEW Scholarships would:

- make access to training for dislocated workers as universally available as access to college;
- provide dislocated workers with a scholarship worth up to $4,000;
- reduce red-tape by allowing workers seeking retraining to apply for aid directly from certified training providers rather than government agencies; and
- require national standards for all certified training providers and an annual report card to help workers identify the best lifelong learning programs.

Background

In 1998, President Clinton signed into law the WIA, meant to institute a radical reform of training programs. Specifically, WIA consolidated multiple training programs, devolved responsibility and money for training to the states in the form of "one-stop" offices to deliver counseling and training services to unemployed workers of all types, and encourage states to give workers vouchers to receive the training that best suits them. But, as a Bob Litan pointed out in a PPI article in 1998,

> "the WIA ... even under the best of circumstances should be viewed only as a good first step toward helping temporarily displaced workers."[6]

There are three major problems with the WIA. First, it is under-funded. Federal funding for workforce training declined by 8 percent from 1983 to 1998, while the size of the workforce has increased by 29 percent. Second, despite its rhetoric, WIA does not eliminate the stove-piped programs and funding streams of the present system. Although it mandates coordination and seamless service, more or less the same programmatic stovepipes continue to exist—each with its own regulations, performance standards, and reporting requirements. This makes it difficult to effect real integration at the street level where it matters. According to the GAO, programs currently have different rules for qualifying for income support, time frames to begin training and issuing training waivers, as well as for conducting certification investigations. Third, WIA fails to squarely come to terms with the rapidly changing—overwhelmingly private—system of labor exchange and career services in this country. For example, it leaves the responsibility of running a job placement bank with the Department of Labor (DOL) when private sector placement operations already exist on the Internet and elsewhere.

New Economy Work Scholarships

Under this proposal, any dislocated or disadvantaged worker who wants to go back and get training could receive up to a $4,000 NEW Scholarship to use at a certified training institution. Eligible institutions could include universities, colleges, community colleges, unions, private for-profit and nonprofit

training programs, and community groups, as long as the provider is certified by DOL and the relevant state employment agency.

Unlike WIA, NEW Scholarship workers would deal directly with the training provider, rather than a government office. The worker would show the training provider an approved application for unemployment insurance and the training entity would collect the scholarship money from the DOL rather than the worker. This would simplify access to the training system and would encourage more Americans to take advantage of lifelong learning.

NEW Scholarships could be used at certified private for-profit or nonprofit employment assistance organizations. Besides training, workers could use the scholarship dollars to help with resume writing, job-hunting, interviewing, identification of career goals, etc. Under this system, workers are free to choose which services to employ. Moreover, NEW Scholarships could reenergize organized labor, which would be well positioned to capture much of this market. Specifically, because labor already has ties to many laid off workers, they could bid to provide comprehensive services to get these workers back in the workforce and therefore improve their usefulness to American workers.

For the purposes of this proposal, an individual is a dislocated worker if they have been permanently laid off or they have received a notice of layoff from employment. Among those who this program might serve are: dislocated workers with outdated skills; those who have lost their jobs due to import competition or shifts in international production; farmers who have lost their farms; self-employed individuals who are unemployed as a result of economic conditions in the area; homemakers whose principal job has been homemaking and have lost their main source of income; and workers who have been dislocated by a mass layoff and/or closure.

NEW Scholarships would be modeled on the best attributes of the Pell Grant program.[7] The Scholarship maximum and average grant levels would be the same as Pell and would increase every year by the same amount. However, while modeled on Pell, this would be a different program with a separate funding stream. NEW Scholarships would be offered by the DOL rather than the Department of Education, which manages the Pell program. In addition, funding would be on the mandatory side of the budget and workers' expected income, not the past year's income, would determine eligibility. Finally, individuals would also not have to be seeking a degree in order to qualify for a Scholarship.

To ensure high standards and easy access to information regarding the best training providers, and building on the system put in place by WIA, DOL would publish a report card on certified training institutions that would be available at DOL One-Stop Centers, state unemployment insurance offices, post offices, and on the Internet. The report cards would divide training institutions by type and rank them accordingly. The DOL would also establish a national performance standard that all certified training institutions would have to meet in order to participate in the NEW Scholarship program. A list of all certified training centers, with prices, addresses, phone numbers, and websites would also be available at the above-mentioned locations.

The DOL One-Stops would continue to serve as centers of information. However, in order for states and localities to participate in the NEW Scholarship program and to ensure better service, the management of these sites would be contracted out to unions, associations, and for-profit and nonprofit organizations. In addition, individuals would be permitted to apply for unemployment insurance benefits at One-Stop Centers. In order to increase visibility and familiarity, DOL would develop a franchise look for these centers with consistent interior designs and layouts. Finally, to improve coordination with other available forms of support, information on student loans, the Hope Scholarship, Lifelong Learning Credits, and Pell Grants would also be made available to every learning consumer along with the NEW Scholarships at One-Stop Centers.

Cost

Congress and the administration can fund NEW Scholarships by redirecting the $1.5 billion already allocated for the Dislocated

Worker Employment Training program and the training portions of the Trade Adjustment Assistance and North American Free Trade Act Transitional Adjustment Assistance programs. Assuming 25 percent of dislocated workers—a sizable increase of those currently taking advantage of training resources—utilize NEW Scholarships at an average of $1,500 per individual, the cost of the program would fit easily within existing budgetary resources.

Conclusion

If we are serious about helping all workers excel in the demanding New Economy, we need radical reform of federal training programs to ensure that workers are equipped with the tools to get and stay ahead. Radical reform includes ensuring high standards for training providers and making access to training as universally available as access to college.

Paul Weinstein Jr. is a senior fellow at the Progressive Policy Institute, an employee of the Promontory Financial Group, and an adjunct professor at Columbia University and Johns Hopkins University. Before joining PPI, Mr. Weinstein served as senior advisor for policy planning and coordination to former Vice President Albert Gore. He was also chief of staff of the Domestic Policy Council and special assistant to the president for domestic policy under former President William Clinton. Mr. Weinstein is co-author of the forthcoming textbook "The Art of Policymaking." Mr. Weinstein received his BS from Georgetown University and his Master's from Columbia University.

Endnotes

1. Greenspan, Alan, "The Evolving Demand for Skills," Remarks before Department of Labor National Skills Summit, April 11, 2000.

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7. My thanks to Paul Dimond, whose invaluable advice in the development of this idea and work in this field served as the starting point for this proposal.

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